

Office of Aviation and International Affairs, Aviation Analysis
Fare Structure Experimentation – First Quarter 2003
Domestic Aviation Competition Issue Brief Number 21

Our last Special Feature focused on the legacy carriers' ability to generate revenue premiums versus low-fare carriers. That Special Feature noted that network carrier premiums have come under substantial pressure over the past few years as a result of many factors that have affected the business travel segment which has traditionally paid the highest fares and accounted for the vast majority of legacy carrier revenues. Such factors include low-fare carrier growth in general and, more specifically, greater acceptance of low-fare carriers as a viable alternative for business travelers, the general decline in demand for air travel and specifically the decline in business travel as a result of the weak economy, and the increased price transparency enabled by the internet which makes it easier than ever for business (and leisure) travelers to find low fares. For these and other reasons, business travelers seem to be more price sensitive now than they have ever been.

The tremendous losses posted by the legacy carriers over the past two years have engendered renewed calls for reform of the network carrier business model. There is almost universal agreement in the industry that the basic hub-and-spoke operational model is sound. One area that is frequently identified as a target for reform is the way the legacy carriers price their product. During the economic boom of the late 1990s, the ratio of the highest fares to the lowest fares reached as high as ten to one as airlines could find enough customers able to pay super premium fares to make this spread tenable. However, the increased disparity between business fares and leisure fares that developed during the boom (as well as low-fare carrier growth, internet price transparency, September 11th /security/terrorism effects) may have, in the end, helped to permanently alter business traveler behavior.

The need to restructure to adapt to the new realities of the airline industry has lead to an examination of the fundamental aspects of the way airlines do business. To that end, several low-fare carriers made changes to their pricing policies over the last year and a half. In June 2002, ATA reduced fares at the higher end of its fare structure. ATA's fares do not require advance purchase and do not have minimum stay requirements. In August 2002, Southwest lowered its maximum fare from \$399 to \$299. Southwest's fare structure has always been simple; it typically publishes only several fares in any given market, compared to the fifteen or more fares per market commonly published by the large network carriers. In February 2003, Frontier announced a new domestic pricing structure that reduced the level of its business and walk-up fares, cut the number of fares to six, capped its fares at \$499 one-way, and eliminated peak and off-peak pricing. Frontier's pricing policy does not require round-trip travel, a Saturday night stay, or an advance purchase. In January 2004, Frontier further reduced its maximum one-way domestic fare to and from its Denver hub to \$299.

While certain network carriers have made some changes to their fare structures on a limited basis, America West has been the vanguard among the traditional network carriers with respect to making comprehensive changes to its pricing structure. In March 2002, it revamped its fare structure by reducing the number of fares offered, eliminating the Saturday night stay requirement, cutting one-way fares, and substantially reducing unrestricted and restricted walk-up fares and other fares good for travel within 14 days of booking (i.e. fares targeted at business travelers). America West's new business fares offered reductions as large as 70 percent off of full fares in place before the restructuring and narrowed the differential between its business and leisure fares. The fare structure changes were also part of a strategy of lessening America West's reliance on fare sales and off-tariff sales channels such as websites that sell

opaque fares.¹ Industry analysts noted that America West might have made these changes in part because business travelers (defined as those who pay full or close to full fare) contributed a much lower share of its revenue than they did at other network carriers. Consequently, America West's risk of revenue dilution resulting from lower business fares was relatively small. America West's changes were initially met with great skepticism and fears that they would lead to a devastating fare war.

America West has recently been near the top of the industry in terms of revenue performance improvement. In the third quarter of 2003, the airline's unit revenue was up 14.3% while yield was up 7.3% compared to the third quarter of 2002. According to America West, during the third quarter of 2003, 45% of its traffic was business travel, compared to 34% during the third quarter of 2002. This Special Feature takes a closer look at what America West's fare structure changes have meant for America West and its competitors by examining effects in various types of markets.

{Notes: This analysis compares traffic and fare data from the first quarter of 2003 (1Q03) to data from the first quarter of 2002 (1Q02). America West did not introduce its new fare structure until the last week of 1Q02 and thus we were comfortable using 1Q02 as the baseline, pre-fare restructuring comparison period. "HP" denotes America West while "OA" is used in this analysis to denote airlines other than America West.}

Analysis

Markets of Interest

This analysis focused on city²-pair markets that were among the one thousand largest domestic markets in terms of fared passenger volume in both 1Q03 and 1Q02 where America West had at least a five percent market share in both years. There were 175 city-pair markets that met these criteria. A list of these markets, along with relevant statistics, appears in Appendix A.

Overview

When considered as a unit, America West's total traffic in this set of 175 city-pair markets grew by 10% despite an 18% increase in its average fare. The airline's revenue increased 30% and its share of total revenue in these markets increased by four percentage points from 18% to 22%. Total traffic on carriers other than America West increased as well, by 2%. However, the average fare of the composite of other airlines declined 3% and their revenue slipped 1%. Overall traffic in these markets increased 4%, revenue increased 5%, and market average fare increased 1%.

Analysis By Distance Block

These 175 markets were divided into three distance blocks³ to order to examine if any differences existed at varying lengths-of-haul. Table 1 provides summary statistics on the changes in traffic, revenue, and average fare for each of America West, airlines other than America West as a group, and at the market level for each distance block, when comparing 1Q03 to 1Q02. Table 2 provides America West's traffic and revenue shares in both 1Q02 and 1Q03. These tables show that America West has increased market share while carrying more traffic at considerably higher average fares. Consequently, both its absolute

¹ An opaque fare is an unpublished fare sold via the internet in a manner such that the identity of the airline and the schedule are hidden until the consumer has provided non-refundable payment for the ticket.

² This Special Feature analysis used the same city definitions as found in the body of this Fare Report (e.g. New York City includes JFK, LaGuardia, and Newark airports while San Francisco, San Jose, and Oakland are considered distinct cities.)

³ For the purpose of this analysis, we have divided markets into three distance blocks. "Short-haul" is defined as less than or equal to 750 miles, "medium-haul" is 751-1500 miles, and "long-haul" is greater than 1500 miles.

revenue and its share of total revenue have increased substantially. Meanwhile, traffic in these markets on other airlines also increased (by 2% on average) as competitors responded with slightly lower fares than in 1Q02, on average. Notably, for other airlines, the results in these markets were slightly revenue negative as the increased volume did not fully compensate for the lower average fares.

Table 1: Changes in Traffic, Revenue, and Average Fare By Distance Block - 1Q03 vs. 1Q02

DistanceBlock	HP Traffic	HP Rev	HP Avg Fare	OA Traffic	OA Rev	OA Avg Fare	Mkt Traffic	Mkt Rev	Mkt Avg Fare
Long-haul (86)	13%	29%	14%	3%	-1%	-3%	5%	4%	-1%
Medium-haul (52)	15%	33%	16%	2%	-3%	-5%	4%	3%	-1%
Short-haul (37)	3%	28%	24%	2%	2%	0%	3%	8%	6%
Overall (175)	10%	30%	18%	2%	-1%	-3%	4%	5%	1%

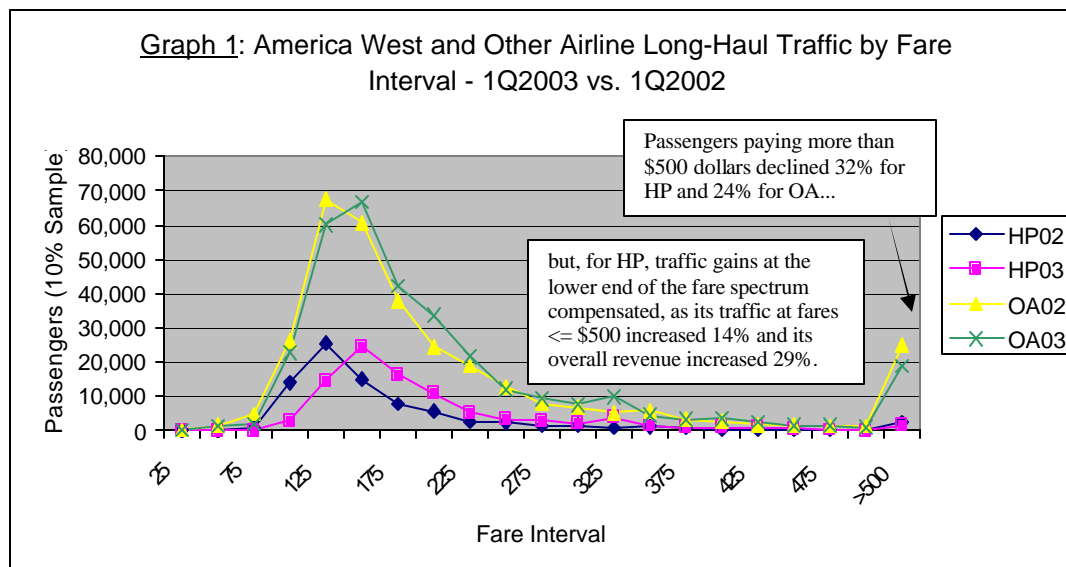
Table 2: America West Traffic and Revenue Shares By Distance Block - 1Q03 and 1Q02

DistanceBlock	HP Traffic Share 02	HP Traffic Share 03	Points Cng	HP Rev Share 02	HP Rev Share 03	Points Cng
Long-haul (86)	21%	22%	1%	17%	21%	4%
Medium-haul (52)	19%	21%	2%	16%	20%	4%
Short-haul (37)	27%	27%	0%	24%	28%	4%
Overall (175)	22%	24%	2%	18%	22%	4%

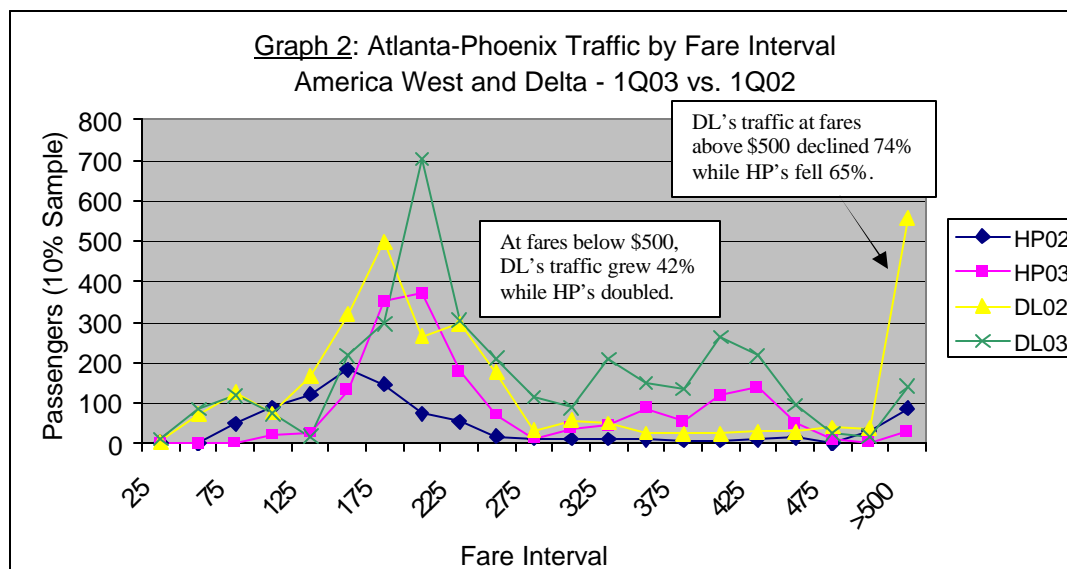
Graphs 1, 3, and 5 on the following pages show how these market dynamics played out in more detail. These graphs illustrate that in each distance block America West is carrying less traffic at the lower end of the fare spectrum and is growing its traffic in higher fare intervals.

Long-haul Markets

Of the 175 markets of interest, 86 were long-haul markets. Examples of such markets include Atlanta-Phoenix, Detroit-Phoenix, Boston-San Diego, and Los Angeles-Miami. As noted in Tables 1 and 2, America West's total revenue in these markets increased 29% on traffic growth of 13%, while its revenue share increased from 17% to 21%. Other airline traffic grew 3% as a result of fares that were, on average, 3% lower. Other airline revenues declined 1%. Total long-haul traffic and revenue showed gains of 5% and 4% respectively. Graph 1 below illustrates the distribution of America West and other airline traffic by fare interval in both 1Q03 and 1Q02. The number of America West passengers paying more than \$500 declined 32% (from 2,431 to 1,662 sample passengers) while the decline was 24% (from 24,807 to 18,911 sample passengers) among other airlines. However, America West compensated for the decline at the high end with traffic gains toward the lower end of the fare spectrum. America West traffic at fares less than or equal to \$500 increased 14%. Also note the increases in other airline traffic in fare intervals between \$150 and \$325. The increased volume at the \$300-\$325 interval in particular could reflect traffic that was traveling at the higher end of the fare structure that has moved down the fare ladder, as other airlines responded to America West's reduced business fares.



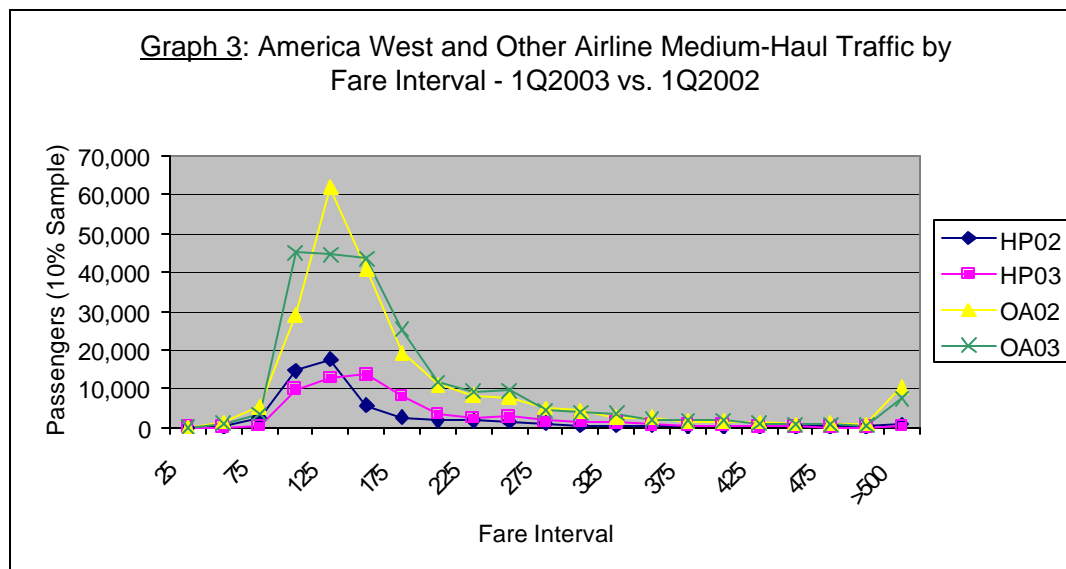
The Atlanta-Phoenix market provides an interesting case study. In this market, America West and Delta were the only carriers offering non-stop service and together the carriers accounted for more than 75% of the market in both 1Q02 and 1Q03. Graph 2 shows the distribution of traffic by fare interval for America West and Delta for both years. The most striking feature of Graph 2 is the extent to which Delta's high-end traffic declined. People that were paying \$1000 to fly on Delta in 1Q02 were now paying \$400 in 1Q03. Meanwhile, America West reduced the amount of traffic it was carrying at the lowest fares (below \$150) and increased its traffic volume in most fare intervals above \$150. The largest proportion of America West's traffic was flying at \$125-\$150 in 1Q02 but at \$175-\$200 in 1Q03. Note the increase in America West traffic at fares between \$375 and \$425.



In this market, America West's traffic increased 83%, its revenue increased 97%, and its average fare increased from \$235 to \$252. Delta's average fare dropped from \$305 to \$266, its traffic increased 20%, and its revenue increased 5%. Overall market traffic grew 20%. America West gained 10 points of market share (from 19% to 29%). Delta's market share remained at 58%. America West's revenue share grew from 16% to 29%, reflecting its increased competitiveness for high-end traffic in this market. Delta's revenue share declined from 64% to 61%.

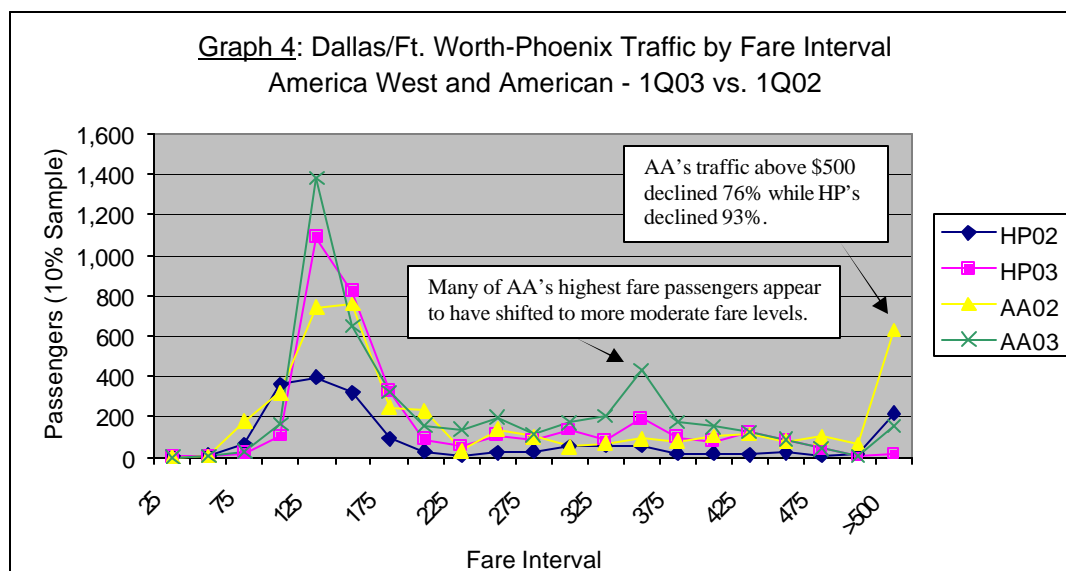
Medium-haul Markets

There were 52 medium-haul markets among the 175 total markets. Examples included Dallas-Phoenix, New Orleans-Phoenix, and Des-Moines-Phoenix. As noted in Tables 1 and 2, America West's total revenue in these markets increased 33% while its revenue share increased from 16% to 20%. As was the case in long-haul markets, America West shifted its highest volume fare interval upward; here the shift occurred from \$100-\$125 to \$125-\$150. Total traffic in these markets grew 4%.



The Dallas/Ft. Worth-Phoenix market has competitive characteristics similar to that of the Atlanta-Phoenix market in that both are America West hub-legacy carrier hub markets, and consequently America West and the respective legacy carrier carry the majority of the traffic in these markets.⁴ In the Dallas/Ft. Worth-Phoenix market, American and America West had a combined passenger share of 72% in 1Q02 and 84% in 1Q03. Graph 4 shows the distribution of traffic by fare interval for America West and American for both years. As was the case in the Atlanta-Phoenix market, the salient feature of Graph 4 is the extent to which the primary legacy carrier competitor's high-end traffic declined. In percentage terms, America West's traffic at fares above \$500 declined more than American's did although it started from a base that was one-third of American's. The fare interval with the highest volume of America West traffic remained at \$100-\$125. America West's traffic at the lowest fares (below \$125) fell, but grew in all intervals between \$125 and \$475. Similar to what occurred with Delta's traffic in the Atlanta-Phoenix market, it appears that most of American's highest fare traffic in 1Q02 shifted to more moderate fares in 1Q03. In particular, note the spike in American's traffic at fares in the \$325 to \$350 interval.

⁴ Delta also offers non-stop service in the Dallas/Ft. Worth-Phoenix market.

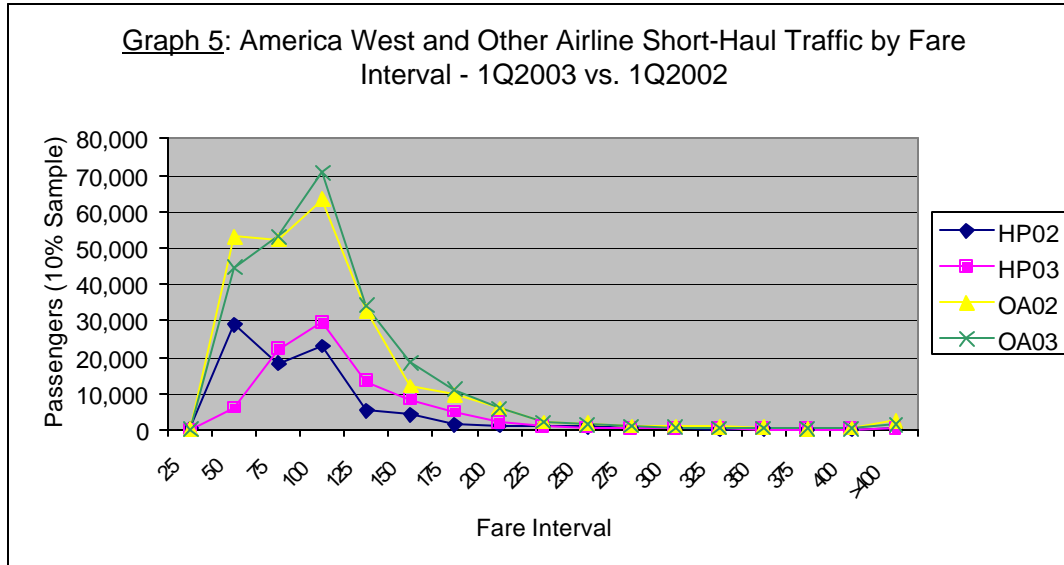


In contrast to the overall trend, America West's average fare fell in this market from \$214 to \$194. Its traffic increased 96% and its revenue increased 77%. American's average fare dropped from \$263 to \$221 and its traffic increased 14%. However, despite the traffic growth, its revenue declined 4%. Overall market traffic grew 17%. America West's market share rose from 22% to 36%, likely due to a combination of its new fare structure as well as its increased frequency.⁵ American's market share declined slightly from 50% to 48%. America West's revenue share grew from 20% to 34% while American's fell from 56% to 51%.

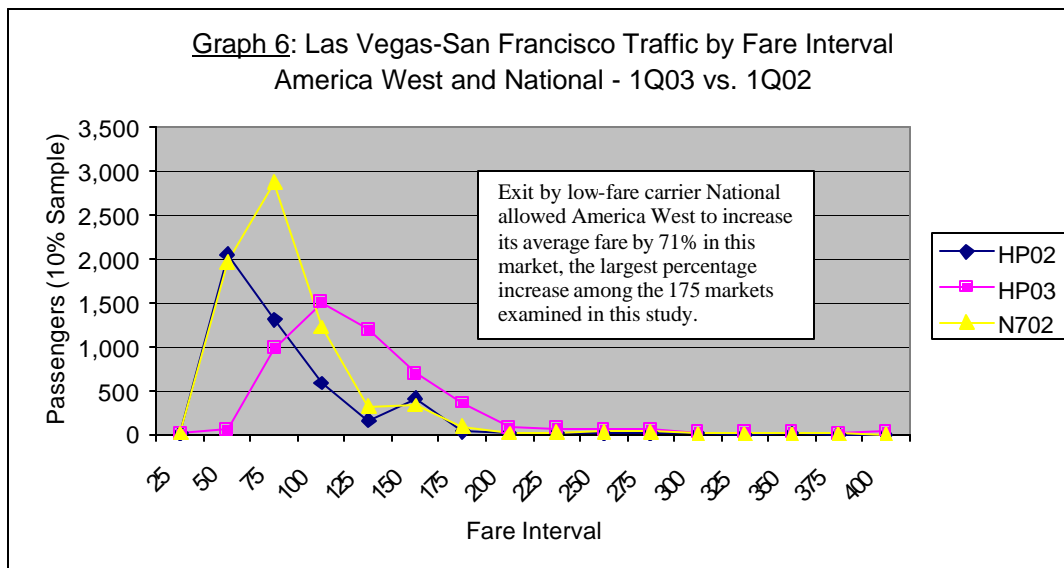
Short-haul Markets

There were 37 short-haul markets in the group. Examples include Phoenix-San Diego, Los Angeles-Phoenix, and Denver-Tucson. As shown in Tables 1 and 2, America West's total revenue in this group of markets increased 28% while its revenue share increased from 24% to 28%. Southwest's large presence at both Phoenix and Las Vegas, as well as at most major cities on the west coast, strongly influences America West's competitive strategy, especially on short-haul routes. (Among these 37 markets, Southwest had at least a 30% traffic share in 25 of them.) The price discipline imposed by Southwest is illustrated by the fact there was very little traffic in high-fare intervals in both years. Nonetheless, here too, America West was able to shift traffic to higher fare intervals. America West's highest volume fare interval shifted from \$25-\$50 in 1Q02 to \$75-\$100 in 1Q03. Consistent with what occurred in the other distance blocks, America West's traffic at the lowest fares plummeted as it refocused its attention on the higher-fare end of the demand curve.

⁵ America West grew Dallas/Ft. Worth-Phoenix non-stop frequencies and seat capacity by 18% and 29% respectively according to OAG data.

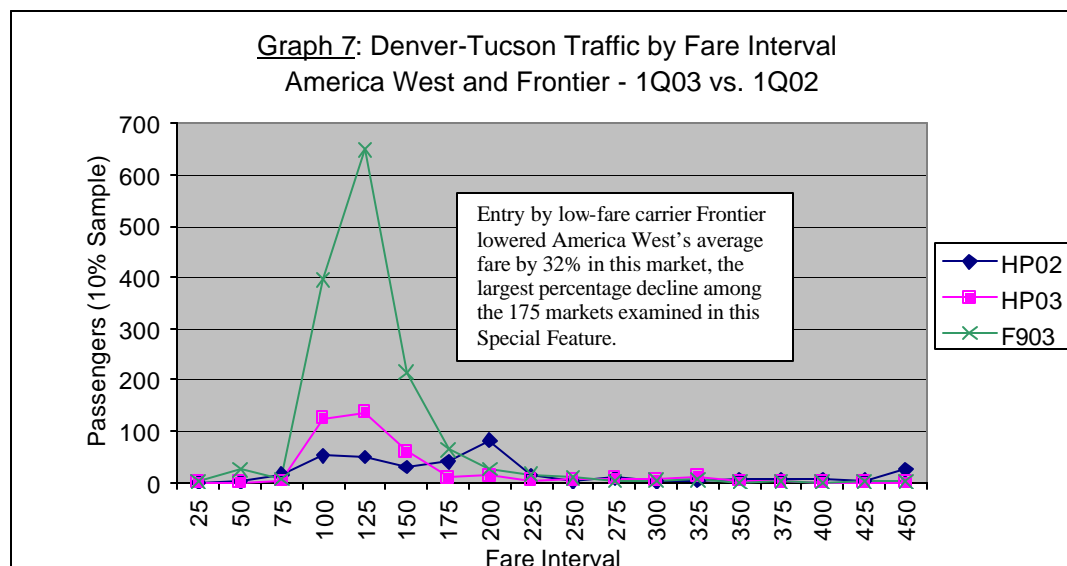


A closer look at a couple of individual markets in the short-haul group once again illustrates the importance of low-fare competition in disciplining prices of the major network carriers. The market where America West's average fare increased the most (71% - from \$66 to \$113) was Las Vegas-San Francisco. This was also the market with the largest increase in overall market average fare (53%). National Airlines was in this market during 1Q02 but ceased operations due to financial difficulties in November 2002.⁶ As Graph 6 below illustrates, America West's highest volume interval was \$25-\$50 when National was in the market, but increased to the \$75-\$100 interval after its exit. In this market, America West's traffic grew 11% while overall market traffic fell 37%. Las Vegas-San Jose posted the fourth largest America West fare increase among the group (from \$66 to \$108). In the Bay Area-Las Vegas market, Southwest also seems to have been a major beneficiary of the combination of America West's new fare structure and the demise of National. Southwest's Las Vegas-San Jose average fare increased from \$79 to \$98 (and its traffic still grew 3%) while Southwest's Oakland-Las Vegas average fare increased \$81 to \$98 (and its traffic still grew 5%).



⁶ The positive impact of National Airlines' cessation of operations on America West was not limited to short-haul markets. Other markets in which America West faced competition from National in the 1Q02 but did not in 1Q03, such as Las Vegas-Miami and Dallas/Ft. Worth-Las Vegas, saw large fare increases as well.

Similarly, the market where America West's average fare exhibited the largest decline among all markets examined in this Special Feature (down 32%) was Denver-Tucson. This was also the market with the largest decline in market average fare (down 37%). Frontier started service between Denver and Tucson in October 2002. Graph 7 illustrates that America West's highest volume passenger interval declined from \$175 to \$200 in 1Q02 without Frontier in the market to \$100-\$125 after Frontier's entry.⁷



Conclusion

The major network carriers continue to examine every aspect of their business model in an effort to adapt to a revenue environment that remains extremely challenging, especially for carriers with the highest costs. The notoriously complicated way in which certain airlines price their product is one area that has been the subject of many calls for reform. Several low-fare carriers have recently made various changes to their fare structures including reducing the number of fares they offer, eliminating certain restrictions, and capping their highest fares. Although several major network carriers have recently experimented with their fare structures on a limited basis, America West is the only major network carrier that has made comprehensive changes, as it restructured its fares on a systemwide basis in late March 2002.

This Special Feature focused on a set of large markets where America West had a competitive presence in order to better understand the effects of the new fare structure on America West and its competitors. Our analysis showed that America West is carrying more traffic at considerably higher average fares. Both its absolute amount of revenue and its share of total revenue have increased substantially as it has lessened its reliance on the lowest fares and at the same time reduced fares directed at time-sensitive travelers who book closer to departure. In the markets examined in this Special Feature, total traffic increased 4% driven by traffic gains by America West and those of other airlines of 10% and 2% respectively. Total revenues increased 5%. America West's revenues grew 30% while other airlines' declined 1%, as America West was able to increase its average fare by 18% compared to a 3% decline in other airlines' average fare. Thus, while America West's reduced business fares produced a revenue positive result for America West, for other airlines, the increased volume did not fully compensate for the lower average fares charged as they responded to America West's changes. America West's overall revenue share gain of 4% in these markets on a market share gain of 2% further supports the claim that the airline has increased its ability to compete for higher fare traffic. Thus, in this group of markets, America West not

⁷ Frontier's Denver-Tucson service is non-stop while America West serves this market with direct or connecting service.

only contributed to growing overall traffic and revenues, it also increased its share of the most valuable pieces of those pies.

Changes in the competitive environment, such as the continued expansion of low-fare carriers into new markets, will almost certainly cause the spread between the highest and lowest fares to be less than it was in the recent past. America West's structure is a step in that direction. At present, the other major network carriers' reluctance to embrace a pricing structure similar to that of America West on a broad basis indicates that these carriers believe that any market stimulation caused by a simplified fare structure would not offset the revenue dilution associated with certain passengers paying lower fares than they would have paid under the current structures. However, if the market dictates that business fares must come down, the carriers which have relied on those high fares to support their business models will have to continue to reduce their costs commensurately. We will continue to monitor the changes airlines make to their fare structures and will revisit this topic as developments warrant.

Appendix A: Changes in Traffic and Revenue & Average Fares - 1Q03 vs. 1Q02													
LoH	City-Pair	HP Traffic	HP Rev	HP Avg Fare 02	HP Avg Fare 03	OA Traffic	OA Rev	OA Avg Fare 02	OA Avg Fare 03	Mkt Traffic	Mkt Rev	Mkt Avg Fare 02	Mkt Avg Fare 03
LH	Atlanta-Las Vegas	62%	96%	\$166	\$200	14%	24%	\$219	\$238	19%	29%	\$214	\$233
LH	Atlanta-Los Angeles	-17%	13%	\$171	\$232	-2%	-4%	\$292	\$288	-4%	-2%	\$277	\$282
LH	Atlanta-Oakland/Berkeley	8%	8%	\$255	\$255	18%	-14%	\$299	\$299	16%	-11%	\$293	\$224
LH	Atlanta-Ontario	22%	22%	\$230	\$230	27%	9%	\$278	\$237	26%	11%	\$266	\$236
LH	Atlanta-Phoenix	84%	97%	\$235	\$252	6%	-6%	\$283	\$253	20%	11%	\$274	\$253
LH	Atlanta-Sacramento	33%	44%	\$216	\$233	22%	3%	\$264	\$224	23%	8%	\$257	\$226
LH	Atlanta-Salt Lake City	6%	35%	\$161	\$205	2%	-4%	\$261	\$244	2%	-3%	\$255	\$242
LH	Atlanta-San Diego	18%	26%	\$221	\$235	6%	-5%	\$295	\$264	8%	-2%	\$287	\$260
LH	Atlanta-San Francisco	-5%	18%	\$195	\$243	-11%	-10%	\$322	\$328	-11%	-8%	\$314	\$322
LH	Atlanta-San Jose/Palo Alto	25%	21%	\$241	\$234	6%	-10%	\$340	\$289	8%	-7%	\$327	\$281
LH	Atlanta-Santa Ana	-1%	-2%	\$248	\$247	-2%	-13%	\$352	\$312	-2%	-12%	\$335	\$301
LH	Baltimore-Las Vegas	-8%	11%	\$132	\$159	16%	23%	\$154	\$163	5%	18%	\$144	\$162
LH	Baltimore-Los Angeles	2%	5%	\$188	\$192	17%	-6%	\$248	\$200	16%	-5%	\$243	\$199
LH	Baltimore-Oakland/Berkeley	-43%	-37%	\$161	\$178	-35%	-40%	\$183	\$170	-36%	-40%	\$181	\$170
LH	Baltimore-Ontario	-49%	-35%	\$143	\$182	-21%	-22%	\$173	\$172	-27%	-24%	\$167	\$173
LH	Baltimore-Phoenix	-32%	-23%	\$155	\$176	9%	1%	\$167	\$155	-9%	-9%	\$162	\$162
LH	Baltimore-Sacramento	-66%	-49%	\$144	\$216	-9%	-4%	\$167	\$176	-16%	-9%	\$164	\$178
LH	Baltimore-Salt Lake City	-8%	7%	\$149	\$174	-6%	-5%	\$175	\$176	-6%	-5%	\$173	\$176
LH	Baltimore-San Diego	-8%	14%	\$154	\$192	-13%	-9%	\$179	\$187	-13%	-8%	\$177	\$187
LH	Baltimore-San Francisco	-27%	-35%	\$237	\$212	-30%	-36%	\$315	\$288	-29%	-36%	\$308	\$281
LH	Baltimore-Tucson	-25%	-21%	\$182	\$191	2%	8%	\$156	\$165	-3%	2%	\$160	\$168
LH	Boston-Las Vegas	38%	45%	\$175	\$185	12%	18%	\$196	\$207	23%	29%	\$187	\$196
LH	Boston-Phoenix	67%	54%	\$281	\$259	26%	1%	\$224	\$180	38%	20%	\$241	\$210
LH	Boston-Salt Lake City	25%	64%	\$175	\$230	0%	-7%	\$297	\$277	2%	-4%	\$290	\$273
LH	Boston-San Diego	56%	98%	\$238	\$303	2%	5%	\$339	\$348	6%	10%	\$331	\$343
LH	Chicago-Las Vegas	48%	68%	\$113	\$129	4%	4%	\$135	\$134	10%	11%	\$132	\$134
LH	Chicago-Reno	38%	84%	\$143	\$191	2%	-2%	\$195	\$189	4%	3%	\$191	\$189
LH	Chicago-Sacramento	51%	13%	\$238	\$178	1%	-16%	\$285	\$236	5%	-14%	\$282	\$230
LH	Cleveland-Phoenix	-15%	15%	\$139	\$188	9%	13%	\$162	\$168	2%	13%	\$155	\$173
LH	Cleveland-San Diego	-10%	11%	\$146	\$179	1%	13%	\$173	\$194	0%	13%	\$170	\$192
LH	Columbus-Las Vegas	-15%	9%	\$120	\$152	38%	38%	\$126	\$126	6%	21%	\$122	\$139
LH	Columbus-Los Angeles	-24%	1%	\$143	\$190	-6%	-5%	\$163	\$165	-12%	-3%	\$156	\$173
LH	Columbus-Phoenix	-17%	11%	\$137	\$183	81%	82%	\$135	\$135	24%	40%	\$136	\$154
LH	Columbus-San Diego	-14%	1%	\$141	\$164	15%	12%	\$156	\$152	9%	10%	\$153	\$154
LH	Detroit-Las Vegas	18%	33%	\$122	\$137	29%	22%	\$170	\$160	27%	23%	\$161	\$156
LH	Detroit-Phoenix	16%	51%	\$137	\$178	-9%	0%	\$169	\$185	-2%	12%	\$160	\$183
LH	Detroit-San Diego	-6%	12%	\$153	\$181	-1%	5%	\$207	\$220	-2%	6%	\$197	\$213
LH	Detroit-Santa Ana	-28%	-2%	\$174	\$236	-4%	6%	\$252	\$278	-7%	5%	\$241	\$274
LH	Detroit-Seattle/Tacoma	-26%	-11%	\$179	\$215	-3%	-3%	\$250	\$250	-6%	-4%	\$243	\$248
LH	Ft. Lauderdale-Las Vegas	25%	58%	\$134	\$168	44%	44%	\$186	\$186	36%	49%	\$163	\$179
LH	Ft. Lauderdale-Oakland/Berkeley	-8%	14%	\$166	\$206	-7%	-7%	\$172	\$172	-7%	-5%	\$172	\$174
LH	Ft. Lauderdale-Phoenix	-5%	18%	\$164	\$203	27%	16%	\$194	\$177	16%	16%	\$183	\$184
LH	Ft. Lauderdale-Portland	-14%	42%	\$126	\$209	-6%	10%	\$158	\$185	-6%	12%	\$157	\$186
LH	Ft. Lauderdale-Salt Lake City	67%	96%	\$182	\$213	11%	8%	\$220	\$215	16%	14%	\$217	\$214
LH	Hartford, CT/Springfield-Las Vegas	145%	191%	\$135	\$160	4%	6%	\$159	\$162	13%	16%	\$157	\$161
LH	Hartford, CT/Springfield-Phoenix	482%	597%	\$151	\$181	-12%	-12%	\$164	\$165	19%	23%	\$163	\$170
LH	Houston-Oakland/Berkeley	-43%	-34%	\$202	\$234	-8%	-19%	\$237	\$209	-13%	-20%	\$233	\$211
LH	Houston-Portland	27%	30%	\$227	\$233	-1%	-6%	\$232	\$218	2%	-3%	\$232	\$220
LH	Houston-Reno	6%	30%	\$146	\$179	-1%	13%	\$156	\$179	0%	16%	\$155	\$179
LH	Houston-Sacramento	25%	44%	\$203	\$233	9%	15%	\$201	\$211	12%	19%	\$201	\$215
LH	Houston-San Francisco	-6%	-4%	\$218	\$222	-5%	-20%	\$390	\$326	-5%	-19%	\$370	\$315
LH	Houston-San Jose/Palo Alto	28%	29%	\$223	\$225	-3%	-9%	\$254	\$239	1%	-4%	\$250	\$236
LH	Houston-Seattle/Tacoma	63%	48%	\$237	\$214	-7%	0%	\$226	\$246	-3%	3%	\$227	\$242
LH	Indianapolis-San Diego	0%	9%	\$157	\$171	-2%	-3%	\$178	\$176	-1%	-2%	\$176	\$175
LH	Las Vegas-Miami	35%	100%	\$147	\$218	-53%	-35%	\$187	\$260	-29%	-4%	\$176	\$238
LH	Las Vegas-Milwaukee	-13%	6%	\$126	\$153	-10%	-5%	\$169	\$178	-10%	-4%	\$163	\$175
LH	Las Vegas-New York	18%	40%	\$150	\$179	3%	11%	\$186	\$200	8%	19%	\$175	\$193
LH	Las Vegas-Orlando/Kissimmee	-7%	9%	\$142	\$166	20%	26%	\$167	\$177	11%	21%	\$159	\$174
LH	Las Vegas-Philadelphia	-7%	27%	\$136	\$186	-8%	7%	\$170	\$197	-8%	12%	\$160	\$194
LH	Las Vegas-Tampa/St. Petersburg/Lakeland	9%	31%	\$130	\$156	17%	17%	\$158	\$159	14%	21%	\$150	\$158
LH	Las Vegas-Washington	46%	70%	\$196	\$228	23%	16%	\$315	\$298	29%	27%	\$281	\$275
LH	Los Angeles-Miami	34%	92%	\$172	\$247	-4%	2%	\$335	\$356	-2%	5%	\$324	\$346

Appendix A: Changes in Traffic and Revenue & Average Fares - 1Q03 vs. 1Q02													
LoH	City-Pair	HP Traffic	HP Rev	HP Avg Fare 02	HP Avg Fare 03	OA Traffic	OA Rev	OA Avg Fare 02	OA Avg Fare 03	Mkt Traffic	Mkt Rev	Mkt Avg Fare 02	Mkt Avg Fare 03
LH	Los Angeles-Minneapolis/St.Paul	4%	17%	\$164	\$184	4%	-2%	\$237	\$224	4%	-1%	\$231	\$221
LH	Miami-Phoenix	16%	43%	\$221	\$271	24%	9%	\$245	\$216	21%	20%	\$237	\$235
LH	Minneapolis/St.Paul-Sacramento	-26%	-19%	\$193	\$211	22%	10%	\$236	\$213	14%	6%	\$228	\$212
LH	Minneapolis/St.Paul-San Diego	-31%	-19%	\$170	\$200	11%	8%	\$204	\$199	6%	6%	\$200	\$199
LH	Minneapolis/St.Paul-San Jose/Palo Alto	33%	20%	\$238	\$215	24%	11%	\$314	\$281	25%	12%	\$305	\$272
LH	Minneapolis/St.Paul-Santa Ana	-21%	-10%	\$208	\$237	12%	13%	\$272	\$273	8%	10%	\$263	\$269
LH	New York-Ontario	-47%	-30%	\$175	\$230	-18%	-16%	\$180	\$185	-22%	-18%	\$180	\$189
LH	New York-Phoenix	56%	13%	\$327	\$237	11%	-9%	\$295	\$241	24%	-2%	\$304	\$240
LH	New York-Portland	-37%	-33%	\$247	\$262	-5%	-7%	\$299	\$291	-7%	-9%	\$295	\$289
LH	New York-Reno	-2%	15%	\$213	\$251	19%	2%	\$262	\$224	14%	5%	\$250	\$230
LH	New York-Sacramento	-19%	2%	\$210	\$265	-1%	-8%	\$325	\$302	-4%	-7%	\$305	\$297
LH	New York-San Diego	42%	71%	\$216	\$260	-13%	-3%	\$355	\$393	-6%	2%	\$339	\$370
LH	New York-San Jose/Palo Alto	-36%	-35%	\$250	\$255	25%	-8%	\$349	\$257	18%	-10%	\$338	\$257
LH	New York-Santa Ana	-8%	-10%	\$262	\$258	-13%	-15%	\$365	\$357	-12%	-14%	\$354	\$345
LH	New York-Tucson	1%	24%	\$219	\$270	-7%	-12%	\$281	\$265	-5%	-6%	\$269	\$266
LH	Oakland/Berkeley-Orlando/Kissimmee	-50%	-35%	\$146	\$191	5%	-7%	\$214	\$190	-5%	-11%	\$201	\$190
LH	Ontario-Orlando/Kissimmee	4%	18%	\$148	\$168	-25%	-18%	\$171	\$186	-21%	-14%	\$168	\$183
LH	Orlando/Kissimmee-Phoenix	50%	84%	\$157	\$193	-17%	-15%	\$177	\$181	0%	8%	\$172	\$186
LH	Philadelphia-Phoenix	-4%	-4%	\$234	\$234	-1%	-14%	\$262	\$227	-2%	-11%	\$252	\$230
LH	Philadelphia-San Diego	51%	61%	\$223	\$237	-2%	-3%	\$307	\$304	5%	4%	\$295	\$291
LH	Phoenix-Tampa/St. Petersburg/Lakeland	66%	84%	\$160	\$178	0%	-3%	\$176	\$171	17%	18%	\$172	\$174
LH	Phoenix-Washington	159%	111%	\$296	\$241	-18%	-24%	\$323	\$299	40%	17%	\$314	\$264
LH	Salt Lake City-Tampa/St. Petersburg/Lakeland	22%	66%	\$219	\$219	6%	7%	\$199	\$200	7%	11%	\$195	\$202
LH	San Antonio-Seattle/Tacoma	13%	47%	\$160	\$208	-15%	-8%	\$169	\$182	-12%	-3%	\$168	\$185
MH	Albuquerque-Seattle/Tacoma	-20%	3%	\$137	\$176	-1%	4%	\$156	\$164	-4%	4%	\$153	\$166
MH	Austin-Phoenix	8%	20%	\$123	\$137	8%	8%	\$139	\$139	8%	12%	\$133	\$138
MH	Austin-San Diego	9%	38%	\$138	\$176	5%	7%	\$168	\$171	5%	9%	\$166	\$171
MH	Chicago-Phoenix	26%	24%	\$138	\$136	15%	-1%	\$155	\$134	16%	3%	\$152	\$134
MH	Colorado Springs-Los Angeles	99%	124%	\$172	\$194	-3%	-7%	\$194	\$187	4%	1%	\$193	\$187
MH	Columbus-Dallas/Ft. Worth	30%	29%	\$206	\$204	8%	-15%	\$248	\$195	10%	-12%	\$244	\$196
MH	Columbus-Ft. Myers	-16%	1%	\$126	\$152	37%	40%	\$156	\$160	3%	17%	\$137	\$155
MH	Columbus-Orlando/Kissimmee	-15%	1%	\$94	\$111	-28%	-18%	\$114	\$130	-23%	-11%	\$105	\$121
MH	Dallas/Ft. Worth-Las Vegas	82%	172%	\$108	\$162	-27%	-6%	\$157	\$203	-9%	16%	\$149	\$189
MH	Dallas/Ft. Worth-Los Angeles	110%	198%	\$146	\$208	-26%	-16%	\$253	\$285	-19%	-10%	\$247	\$274
MH	Dallas/Ft. Worth-Oakland/Berkeley	184%	241%	\$206	\$247	-5%	-20%	\$326	\$274	9%	-8%	\$318	\$269
MH	Dallas/Ft. Worth-Ontario	47%	59%	\$204	\$219	25%	-4%	\$241	\$186	28%	4%	\$236	\$191
MH	Dallas/Ft. Worth-Phoenix	96%	77%	\$214	\$194	-5%	-13%	\$239	\$217	17%	5%	\$233	\$208
MH	Dallas/Ft. Worth-Reno	115%	218%	\$145	\$215	-10%	-1%	\$190	\$210	4%	18%	\$185	\$211
MH	Dallas/Ft. Worth-Sacramento	16%	35%	\$234	\$271	14%	-8%	\$275	\$223	15%	-2%	\$269	\$230
MH	Dallas/Ft. Worth-San Diego	143%	195%	\$184	\$223	-11%	-7%	\$270	\$282	3%	6%	\$262	\$269
MH	Dallas/Ft. Worth-San Jose/Palo Alto	202%	197%	\$250	\$246	-16%	-23%	\$357	\$324	-3%	-14%	\$350	\$310
MH	Dallas/Ft. Worth-Santa Ana	2%	48%	\$202	\$292	5%	-8%	\$250	\$219	5%	-4%	\$246	\$225
MH	Dallas/Ft. Worth-Tucson	107%	167%	\$170	\$220	2%	-7%	\$235	\$215	8%	0%	\$232	\$215
MH	Denver-Ontario	-2%	-11%	\$185	\$167	17%	-6%	\$218	\$175	15%	-6%	\$214	\$174
MH	Denver-Santa Ana	-1%	-6%	\$199	\$189	-6%	-14%	\$243	\$220	-5%	-14%	\$240	\$218
MH	Des Moines-Phoenix	-30%	-11%	\$142	\$182	39%	37%	\$136	\$135	2%	11%	\$139	\$152
MH	Detroit-Salt Lake City	25%	51%	\$185	\$224	-9%	-16%	\$201	\$187	-7%	-12%	\$200	\$191
MH	Houston-Los Angeles	47%	58%	\$194	\$209	-9%	-2%	\$225	\$242	-6%	1%	\$223	\$239
MH	Houston-Ontario	12%	17%	\$197	\$204	-9%	-7%	\$190	\$195	-5%	-3%	\$191	\$197
MH	Houston-Phoenix	14%	10%	\$163	\$157	15%	-3%	\$180	\$152	15%	0%	\$176	\$153
MH	Houston-San Diego	20%	21%	\$196	\$198	0%	0%	\$208	\$206	3%	2%	\$207	\$205
MH	Houston-Santa Ana	9%	19%	\$210	\$229	12%	7%	\$285	\$271	12%	9%	\$269	\$262
MH	Indianapolis-Phoenix	-9%	-12%	\$133	\$129	105%	59%	\$153	\$119	46%	25%	\$143	\$122
MH	Kansas City-Phoenix	-2%	7%	\$129	\$141	24%	16%	\$144	\$135	14%	13%	\$138	\$137
MH	Kansas City-San Diego	12%	55%	\$126	\$175	-17%	-7%	\$148	\$166	-16%	-4%	\$147	\$167
MH	Las Vegas-Minneapolis/St.Paul	-16%	-2%	\$119	\$139	37%	38%	\$162	\$163	26%	31%	\$153	\$160
MH	Las Vegas-Omaha	-15%	7%	\$115	\$146	-6%	0%	\$124	\$132	-7%	1%	\$123	\$133
MH	Las Vegas-Portland	-24%	3%	\$86	\$118	7%	6%	\$114	\$113	5%	6%	\$112	\$113

Appendix A: Changes in Traffic and Revenue & Average Fares - 1Q03 vs. 1Q02													
LoH	City-Pair	HP Traffic	HP Rev	HP Avg Fare 02	HP Avg Fare 03	OA Traffic	OA Rev	OA Avg Fare 02	OA Avg Fare 03	Mkt Traffic	Mkt Rev	Mkt Avg Fare 02	Mkt Avg Fare 03
MH	Las Vegas-San Antonio	-11%	14%	\$121	\$156	-1%	6%	\$140	\$149	-1%	6%	\$139	\$150
MH	Los Angeles-Omaha	6%	8%	\$140	\$142	-18%	-18%	\$152	\$151	-15%	-16%	\$151	\$150
MH	Los Angeles-San Antonio	-57%	-35%	\$130	\$195	-3%	0%	\$171	\$176	-10%	-4%	\$166	\$177
MH	Milwaukee-Phoenix	25%	32%	\$153	\$162	-28%	-30%	\$177	\$172	-15%	-16%	\$171	\$168
MH	Minneapolis/St. Paul-Ontario	-8%	4%	\$192	\$218	21%	17%	\$201	\$193	15%	14%	\$199	\$197
MH	Minneapolis/St. Paul-Phoenix	53%	56%	\$165	\$169	1%	-8%	\$185	\$168	11%	3%	\$182	\$168
MH	Minneapolis/St. Paul-Portland	-13%	-2%	\$183	\$206	16%	2%	\$260	\$228	13%	2%	\$254	\$227
MH	Minneapolis/St. Paul-Tucson	28%	23%	\$183	\$176	54%	32%	\$192	\$164	51%	31%	\$191	\$166
MH	New Orleans-Phoenix	-22%	-11%	\$144	\$164	24%	20%	\$171	\$165	12%	13%	\$163	\$165
MH	Omaha-Phoenix	3%	12%	\$122	\$134	12%	9%	\$128	\$125	7%	11%	\$125	\$129
MH	Phoenix-Portland	-14%	3%	\$125	\$149	9%	7%	\$135	\$132	2%	5%	\$132	\$137
MH	Phoenix-San Antonio	-7%	6%	\$131	\$149	5%	0%	\$144	\$138	1%	2%	\$140	\$141
MH	Phoenix-Seattle/Tacoma	-7%	12%	\$120	\$144	0%	1%	\$134	\$136	-2%	3%	\$131	\$138
MH	Phoenix-Spokane	63%	93%	\$117	\$139	-50%	-48%	\$135	\$140	-8%	0%	\$128	\$139
MH	Phoenix-St. Louis	39%	68%	\$128	\$155	16%	9%	\$158	\$148	20%	16%	\$153	\$149
MH	Portland-Tucson	-13%	9%	\$125	\$156	-2%	7%	\$135	\$148	-5%	7%	\$132	\$150
MH	San Antonio-San Diego	-12%	26%	\$145	\$208	-15%	-4%	\$153	\$173	-14%	-2%	\$153	\$175
MH	Seattle/Tacoma-Tucson	24%	42%	\$134	\$154	-4%	-3%	\$136	\$137	-2%	0%	\$136	\$138
SH	Albuquerque-Los Angeles	5%	42%	\$93	\$125	-3%	1%	\$130	\$135	-3%	3%	\$127	\$134
SH	Albuquerque-Phoenix	-25%	1%	\$59	\$79	17%	13%	\$70	\$68	7%	11%	\$68	\$70
SH	Albuquerque-San Diego	3%	39%	\$94	\$126	12%	10%	\$131	\$128	11%	12%	\$127	\$128
SH	Albuquerque-Tucson	-23%	3%	\$86	\$115	-9%	-1%	\$72	\$78	-11%	0%	\$74	\$82
SH	Baltimore-Columbus	-6%	11%	\$74	\$87	-7%	-1%	\$74	\$79	-6%	4%	\$74	\$83
SH	Boise-Phoenix	17%	43%	\$107	\$131	-16%	-17%	\$137	\$135	3%	13%	\$120	\$132
SH	Boston-Columbus	25%	41%	\$192	\$217	-18%	-40%	\$276	\$200	3%	-7%	\$234	\$210
SH	Chicago-Columbus	-21%	12%	\$62	\$89	1%	21%	\$84	\$100	-2%	20%	\$81	\$99
SH	Columbus-New York	-28%	-27%	\$174	\$178	15%	-4%	\$246	\$204	2%	-9%	\$224	\$199
SH	Columbus-Philadelphia	27%	40%	\$174	\$192	-1%	-23%	\$255	\$199	8%	-7%	\$229	\$197
SH	Columbus-Washington	-31%	-34%	\$136	\$129	75%	47%	\$161	\$136	39%	22%	\$153	\$135
SH	Denver-Las Vegas	28%	74%	\$103	\$140	13%	4%	\$162	\$149	16%	15%	\$149	\$147
SH	Denver-Phoenix	53%	38%	\$176	\$159	-11%	-21%	\$184	\$163	4%	-7%	\$182	\$162
SH	Denver-Tucson	9%	-26%	\$191	\$130	86%	16%	\$210	\$131	73%	10%	\$207	\$131
SH	El Paso-Las Vegas	-7%	15%	\$91	\$112	-2%	3%	\$106	\$111	-3%	4%	\$104	\$111
SH	El Paso-Los Angeles	-7%	25%	\$96	\$129	-6%	1%	\$138	\$149	-6%	3%	\$132	\$146
SH	El Paso-Phoenix	-27%	-3%	\$58	\$77	18%	13%	\$70	\$67	7%	9%	\$67	\$69
SH	Glendale/Burbank-Phoenix	-15%	9%	\$57	\$74	11%	13%	\$68	\$70	2%	12%	\$65	\$71
SH	Las Vegas-Los Angeles	-1%	51%	\$55	\$83	3%	4%	\$69	\$70	3%	11%	\$66	\$72
SH	Las Vegas-Phoenix	-7%	26%	\$57	\$77	13%	15%	\$65	\$66	8%	17%	\$63	\$68
SH	Las Vegas-Sacramento	-28%	23%	\$58	\$98	-3%	18%	\$82	\$100	-7%	19%	\$78	\$100
SH	Las Vegas-San Diego	-14%	23%	\$53	\$75	3%	16%	\$69	\$77	1%	16%	\$67	\$77
SH	Las Vegas-San Francisco	11%	90%	\$66	\$113	-57%	-33%	\$84	\$129	-37%	-4%	\$79	\$121
SH	Las Vegas-San Jose/Palo Alto	0%	63%	\$66	\$108	-7%	16%	\$79	\$99	-7%	19%	\$78	\$100
SH	Las Vegas-Santa Ana	8%	39%	\$62	\$80	13%	1%	\$68	\$61	10%	27%	\$64	\$74
SH	Las Vegas-Tucson	-16%	13%	\$60	\$81	-6%	4%	\$66	\$73	-8%	6%	\$64	\$74
SH	Los Angeles-Phoenix	-6%	18%	\$60	\$76	1%	-2%	\$67	\$65	-1%	4%	\$65	\$68
SH	Oakland/Berkeley-Phoenix	10%	26%	\$94	\$107	7%	1%	\$111	\$104	8%	8%	\$105	\$105
SH	Ontario-Phoenix	-12%	14%	\$54	\$70	0%	0%	\$68	\$68	-3%	3%	\$65	\$69
SH	Phoenix-Reno	20%	48%	\$92	\$114	4%	-2%	\$107	\$101	10%	16%	\$101	\$107
SH	Phoenix-Sacramento	-5%	8%	\$94	\$107	27%	16%	\$109	\$100	15%	13%	\$103	\$102
SH	Phoenix-Salt Lake City	11%	37%	\$89	\$111	18%	9%	\$109	\$100	15%	17%	\$102	\$104
SH	Phoenix-San Diego	20%	49%	\$59	\$73	4%	3%	\$67	\$67	7%	12%	\$66	\$69
SH	Phoenix-San Francisco	9%	26%	\$113	\$131	-18%	-14%	\$134	\$143	-6%	3%	\$125	\$136
SH	Phoenix-San Jose/Palo Alto	-6%	8%	\$98	\$114	16%	8%	\$110	\$101	7%	8%	\$105	\$106
SH	Phoenix-Santa Ana	42%	23%	\$101	\$88	18%	23%	\$73	\$77	31%	23%	\$88	\$83
SH	San Jose/Palo Alto-Tucson	-27%	-12%	\$126	\$153	-16%	0%	\$128	\$153	-18%	-2%	\$128	\$153